

RECEIVED

MAY 13 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

The Accounting and Ratemaking
Treatment for the Allowance for
Funds Used During Construction
(AFUDC)

CC Docket No. 93-50

COMMENTS OF AMERITECH

Ameritech¹ submits these comments in response to the Commission's notice of proposed rulemaking in the above docket.² Ameritech supports the Commission's proposed rule changes concerning the rate base treatment of plant under construction. Although the proposal is not what Ameritech had requested in its petition for rulemaking,³ the Commission's proposal nonetheless alleviates the deficiency of the current method that Ameritech sought to correct by its petition.

The current treatment of long-term plant under construction undercompensates the carrier for its investment. This "capitalization method" excludes long-term plant under construction from the rate base but capitalizes an allowance for interest on the plant ("AFUDC") by including it in the cost of construction. Theoretically, the capitalization of AFUDC should permit the carrier to recover the cost of capital associated with the construction during the

¹ In this filing, Ameritech means: Illinois Bell Telephone Company, Indiana Bell Telephone, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc.

² In the Matter of The Accounting and Ratemaking Treatment for the Allowance for Funds Used during Construction (AFUDC), CC Docket No. 93-50, Notice of Proposed Rulemaking, FCC 93-126 (released March 22, 1993) ("NPRM").

³ Filed on January 11, 1991, and set for comment in RM-7626.

No. of Copies rec'd
List A B C D E

045

period that the investment was excluded from the rate base. However, as Ameritech pointed out in its petition, in permitting capitalization of AFUDC at only the prime rate for later inclusion in the rate base, the current rules preclude carriers from recovering all of the cost of construction since long-term construction is financed by both debt and equity.

The Commission's proposal -- the revenue requirement offset method -- addresses that problem by including plant under construction in the rate base, thus permitting the carrier to earn on its investment immediately. In addition, the proposal is consistent with GAAP in that AFUDC would be capitalized at the embedded cost of debt rather than at the prime rate.

Ameritech supports the Commission's proposal as providing a mechanism for the carrier to recover costs associated with construction that is consistent with GAAP.

Respectfully submitted,

A handwritten signature in dark ink, reading "Michael S. Pabian". To the right of the signature, the letters "ANA" are handwritten.

Michael S. Pabian
Attorney for the
Ameritech Operating Companies
Room 4H76
2000 West Ameritech Center Drive
Hoffman Estates, IL 60196-1025
(708) 248-6044

Dated: May 13, 1993